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NOT TO BE TAKEN AWAY

HERSHEY CHOCOLATE CORPORATION

AND

AFFILIATED COMPANIES

CONSOLIDATED BALANCE SHEET

December 31, 1928

AND

CONSOLIDATED PROFIT AND LOSS ACCOUNT
AND SUMMARY OF CONSOLIDATED EARNED SURPLUS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 1928

Together with

Auditors' Certificate

HERSHEY CHOCOLATE CORPORATION AND AFFILIATED COMPANIES

CONSOLIDATED BALANCE SHEET -- DECEMBER 31, 1928

ASSETS

CURRENT ASSETS:

Cash		\$ 6,913,117.10
Accounts receivable	\$2,059,412.35	
Less—Reserve for bad debts and discounts	370,825.07	1,688,587.28
Inventories of raw materials, goods in process and finished goods, certified to by responsible officials as to quantities and condition, valued at the lower of cost or market		4,612,209.56
Total current assets		<u>\$13,213,913.94</u>

WORKING ASSETS:

Special deposits	\$ 72,225.28	
Supplies, repair parts, etc.	262,881.95	
Salesmen's advances, prepaid insurance, etc.	60,065.09	395,172.32

HERSHEY CHOCOLATE CORPORATION, PRIOR PREFERRED STOCK—31,160 shares at cost

3,212,950.72

PLANT AND PROPERTY:

Particulars	Gross Book Value'	Reserve for Depreciation	Net Book Value
Land	\$ 114,685.50	\$	\$ 114,685.50
Buildings and Improvements	5,537,516.55	1,914,351.40	3,623,165.15
Machinery, Equipment and Fixtures	8,014,821.24	4,723,449.45	3,291,371.79
New York Properties	1,474,200.81	212,236.40	1,261,964.41
	<u>\$15,141,224.10</u>	<u>\$6,850,037.25</u>	<u>\$8,291,186.85</u>
Construction in Progress		184,271.50	8,475,458.35
			<u>\$25,297,495.33</u>

LIABILITIES AND CAPITAL

CURRENT LIABILITIES:

Accounts and wages payable		\$ 864,149.76
Accrued Items—		
Federal income tax (Subject to review by Treasury Department)	\$ 646,189.78	
State taxes, liability insurance, etc.	850,761.29	
Dividends on Prior Preferred and Convertible Preference Stocks	260,755.00	1,757,706.07
Total current liabilities		<u>\$ 2,621,855.83</u>

CAPITAL STOCK AND SURPLUS:

Capital stock—

Prior Preferred Stock, 6% Cumulative—Authorized 200,000 shares (\$100.00 par value, redeemable at \$107.50)		
Issued and outstanding 145,500 shares (including 31,160 shares repurchased, per contra)	\$14,550,000.00	
Convertible Preference Stock (without par value)—		
Authorized and issued 350,000 shares (at stated value)	* 350,000.00	
Common Stock (without par value)—		
Authorized 1,000,000 shares of which 350,000 shares are reserved for conversion of Convertible Preference Stock Issued and outstanding 650,000 shares (at stated value)	650,000.00	

\$15,550,000.00

Surplus at organization

2,389,826.46

Earned surplus, December 31, 1928

4,735,813.04 22,675,639.50

\$25,297,495.33

(*) The Convertible Preference Stock is entitled to cumulative dividends at the rate of \$4.00 per share per annum plus an extra dividend of \$1.00 per share in any year in which dividends are declared or paid on the Common Stock. Upon any distribution of capital assets the Convertible Preference Stock is entitled to receive \$50.00 per share and accumulated unpaid dividends (if any) before any distribution to the Common Stock, and shares equally per share with the Common Stock in any distribution of the balance until the Convertible Preference Stock receives a total of \$100.00 per share and accumulated unpaid dividends (if any).

HERSHEY CHOCOLATE CORPORATION AND AFFILIATED COMPANIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1928

NET SALES	\$38,130,511.08
COST OF SALES	<u>28,792,673.79</u>
Gross profits on sales	\$ 9,337,837.29
SHIPPING, SELLING AND ADMINISTRATIVE EXPENSES	<u>2,715,588.51</u>
Net profits from operations	\$ 6,622,248.78
OTHER INCOME, LESS MISCELLANEOUS CHARGES	<u>480,329.32</u>
Net profits before provision for federal income tax	\$ 7,102,578.10
PROVISION FOR FEDERAL INCOME TAX	<u>646,189.78</u>
Net profits carried to surplus account	<u>\$ 6,456,388.32</u>

SUMMARY OF CONSOLIDATED EARNED SURPLUS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1928

Earned surplus at December 31, 1927	\$ 461,235.07
Net profits for the year ended December 31, 1928	<u>6,456,388.32</u>
	\$ 6,917,623.39
Dividends:	
Prior Preferred Stock (6% cumulative)	\$ 769,693.50
Convertible Preference Stock (at the rate of \$4.00 per share per annum)	<u>1,400,000.00</u>
Total dividends	\$2,169,693.50
Premium on 4,500 shares Prior Preferred Stock retired	<u>12,116.85</u> 2,181,810.35
Earned surplus at December 31, 1928	<u>\$ 4,735,813.04</u>

ARTHUR ANDERSEN & Co.

ACCOUNTANTS AND AUDITORS

MEMBERS AMERICAN INSTITUTE OF ACCOUNTANTS

67 WALL STREET

NEW YORK

AUDITORS' CERTIFICATE

We have examined the accounts of the Hershey Chocolate Corporation and Affiliated Companies for the year ended December 31, 1928, and certify that, in our opinion, the accompanying consolidated balance sheet, profit and loss account and summary of earned surplus account fairly present the financial position of the companies at December 31, 1928, and the results of their operations for the year ended that date.

ARTHUR ANDERSEN & CO.

New York, N. Y.
March 2, 1929.

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